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SUBJECT: UNGA PANEL ON FINANCIAL CRISIS CALLS FOR REFORMS;
CRITICIZES U.S.

11. (U) Summary: Columbia University's Dr. Joseph Stiglitz, chair of the President of the General Assembly's (PGA) new task force on the international financial system, harshly criticized U.S. financial policies and the U.S. Government's response to the financial crisis at an October 30 "Interactive Panel on the Global Financial Crisis" in the General Assembly. Stiglitz called the U.S. response to the crisis "completely wrong" and "totally inadequate." Panelists and delegates alike expressed the need for reform of international financial institutions and governance to enable better representation of emerging and developing economies, with some calling on the UN to lead the reforms. The United States and other G-20 nations looked towards the November 15 summit in Washington as an important first step in this process. The U.S. Representative to the Economic and Social Council, Ambassador T. Vance McMahan, delivered a statement at the event describing the U.S. response to the crisis to date. End Summary.

12. (U) PGA Miguel d'Escoto Brockmann convened an Interactive Panel on the Global Financial Crisis on October 30. In addition to the PGA, panelists including Stiglitz and Harvard Professor Calestous Juma offered views on the origins of the current global financial crisis and suggestions on how to address it. Other panelists were: Dr. Prabhat Patnaik (Jawaharlal Nehru University); Dr. Sakiko Fukuda-Parr (New School University); Dr. Padro Paez, Ecuador's Minister of Economic Policy Coordination; and, Dr. Francois Houtart (Belgium's Catholic University of Louvain).

PGA INSISTS "G-192" MUST DEVISE SOLUTIONS

13. (U) Presaging similar calls by panelists and delegates throughout the event, the PGA said that "exclusive clubs" like the G-8 or G-20 are insufficient to address the global crisis, insisting instead that the "G-192" (i.e., the General

Assembly) must devise long term solutions. D'Escoto blamed the current crisis on "unbridled greed and pervasive corruption enabled by governments that lost sight of their responsibility to protect their citizens," and called for full participation by all countries in a "more democratic" system of international economic governance. The UN, with its political legitimacy and democratic nature, is uniquely positioned to lead the reforms, he continued. The PGA announced that his office will soon release terms of reference for a task force he is convening, chaired by Stiglitz, to review the international financial system. (As of November 3, there has been no further information on this matter.)

STIGLITZ SCATHINGLY CRITICAL OF USG POLICIES

14. (U) Stiglitz repeatedly criticized the U.S. Government's handling of the financial crisis, calling its response "fundamentally wrong" and "totally inadequate." Explicitly naming Treasury Secretary Paulson, Stiglitz charged that those responsible for creating the financial crisis were now tasked with responding to it. Injecting capital into investment banks to create a "trickle-down effect" while failing to address the underlying source of the crisis (foreclosures) or those most affected (homeowners) ignores basic tenets of social justice, international cooperation and democratic principles such as transparency, he argued. Stiglitz added that the U.S. should offer to clean up the "global mess" it has made after "polluting the world with its toxic mortgages, neoliberal philosophy of deregulation and,

now, its recession." He further chastised the United States for failing to provide 0.7 percent of GDP in official development assistance (ODA), but rapidly giving USD 700 billion to U.S. banks when they threatened failure.

15. (U) Stiglitz also criticized the International Monetary Fund (IMF) for neither anticipating nor preventing the crisis, saying that IMF reforms to date have "clearly been insufficient." Instead, Stiglitz urged the UN to take the central role as the "only institution with the broad membership and legitimacy" to enact the necessary reforms. Calling this another "Bretton Woods moment," Stiglitz appealed to the international community to reform international economic institutions and standard-setting bodies; reassess the dollar-system of currency reserves, moving instead to a multi-currency basket; and institute stronger international oversight and regulation of financial markets and firms.

U.S., G-20 NATIONS: NOV. 15 SUMMIT IMPORTANT FIRST STEP

16. (U) During the interactive session of the panel, the United States recalled its recent actions in coordination with leaders of the G-8 countries to restore stability and confidence in international markets and highlighted the upcoming November 15 summit in Washington as evidence of its ongoing commitment to international cooperation (full text is available at [www.usunewyork.usmission.gov/press release.php](http://www.usunewyork.usmission.gov/press%20release.php)). China delivered a similarly balanced statement calling for measured reforms, noting that the UN should be engaged closely. France and the United Kingdom described the upcoming summit in Washington as an important first step. France called for "bold" reforms in developing a new model of economic governance to tackle modern economic challenges, but noted that the IMF and World Bank should continue to play a key role. The UK outlined its suggestions for enhanced international supervision of financial firms and the creation of a lending mechanism for emerging economies.

17. (U) Japan offered to provide the IMF with funds to assist countries facing acute financial challenges and stands ready to share its experiences following the 1997 Asian economic crisis. Japan and India called for increased public

expenditures to stimulate global demand, with Japan urging increased investment in infrastructure. Brazil underscored the role of trade in mitigating the global impact of the financial crisis and welcomed the U.S. call for completion of the Doha Round of trade talks. Citing risky speculation in the U.S. housing market and the "false hope" that market deregulation would lead to worldwide prosperity, Argentina said that fundamental changes to the international financial architecture are needed.

DEVELOPING COUNTRIES CALL FOR INCLUSIVENESS

¶18. (U) The Group of 77 said that the upcoming Washington summit of the G-20 is a "step in the right direction," but argued that the crisis requires a pooling of global resources. Venezuela, after intoning the death of the capitalist model, insisted that the world economy is no longer the "domain of small clubs" and all UN Member States should be included in the formulation of long-term solutions. Other developing countries suggested standardized international governance of firms and financial systems must be a part of future remedies.

¶19. (U) Largely in agreement with Stiglitz and the Group of 77, Dr. Padro Paez criticized the unipolarity of the global financial system and called for the creation of a Regional Monetary Agreement (RMA) among the countries of South America as a comprehensive, transparent and democratic alternative to the IMF. He concluded with general criticisms of multinational corporations and contractors and stressed the need for community-based development.

JUMA PUSHES IDEA OF FINANCIAL DIPLOMACY

¶10. (U) Rather than directly criticize U.S. economic policy, Professor Juma focused on the implications of the global financial crisis on African development via innovations in science and technology. He stressed the dependence of global economic growth, specifically in developing economies, on technological innovations and manufacturing. He further stressed the difficulties arising due to decreases in remittances and FDI that typically serve to fund such projects. Noting that reforming the Bretton Woods institutions would be a slow, tedious process, he went on to agree with the idea that the UN take on a larger role in what he called "Financial Diplomacy." He suggested that representatives from the Ministries of Finance from the "G-192" come together to learn from global bank collapses, monitor financial trends and set standards as guidance for developing countries.

COMMENT

¶11. (SBU) Based on their statements, there are varying views among G-20 members on the scope and nature of needed reforms. China's intervention mirrored closely U.S. sentiments, while others', including France and the UK, favored more extensive restructuring. The PGA appeared highly satisfied with his initiative to convene the panel, no doubt in part because his hand-picked panelists delivered a message highly-critical of the U.S. while supporting UN-led reform. Contacts from several missions remarked afterwards on the biting tone of several speakers' anti-U.S. messages. Khalilzad